# Irish Life PRSA

## Product Booklet & Fund Guide

# IRISH LIFE PRSA

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|---|---|
| Aim | To build a fund to help provide for your retirement. |
| Risk | Low to very high depending on the option or mix of options you have chosen. |
| Funds Available | The Irish Life PRSA offers you a wide range of funds to choose from. Please refer to Section G of this booklet, for a full list of funds available on this plan. |
| Time period | Normally between age 60 and 75. |
| Jargon-free | Yes. |

All information including the Terms and Conditions of your plan will be provided in English.

The information and figures quoted in this booklet are correct as at September 2016 but may change.

**WARNING: If you invest in this product you will not have access to your money until age 60 and/or you retire.**

# CONTENTS

# A INTRODUCTION

This booklet will give you details of the benefits available on the Irish Life PRSA plan. It is designed as a guide that allows us to explain the product to you in short and simple terms. There will be more specific details and rules in your Terms and Conditions booklet which you should read carefully.

**This PRSA is provided by Irish Life Assurance plc.**

**How to contact Irish Life:**

| | |
|---|---|
| Write to: | Irish Life Assurance plc<br>Irish Life Centre<br>Lower Abbey Street<br>Dublin 1 |
| Phone: | 01 704 1010 |
| Email: | customerservice@irishlife.ie |
| Web: | www.irishlife.ie |

# B YOUR PRSA PLAN

## PRSAs IN BRIEF

PRSAs are 'Personal Retirement Savings Accounts'. They are a contract between you and a PRSA provider, such as Irish Life. PRSAs make it easier to save for retirement because they offer value for money, flexibility and convenience. Whether you are an employee, self-employed or between jobs, a PRSA helps you save for retirement. And if your employment status changes or you move to a new employer, you may be able to take your PRSA with you.

You can also use your PRSA to add to the pension benefits already available from your job. You can do this by paying additional voluntary contributions (AVCs) into your PRSA. We have designed a guide called 'Additional Voluntary Contributions and your Irish Life PRSA - A guide for members of Defined-Benefit and Defined-Contribution Occupational Pension Schemes'. This booklet will help you understand the options available if you are a member of a pension scheme at work and want to boost the benefits under it, depending on Revenue limits, by paying AVCs. Some restrictions may apply.

We recommend you read the guide along with this booklet before you make a decision to invest in a PRSA for this purpose.

## HOW PRSAs WORK

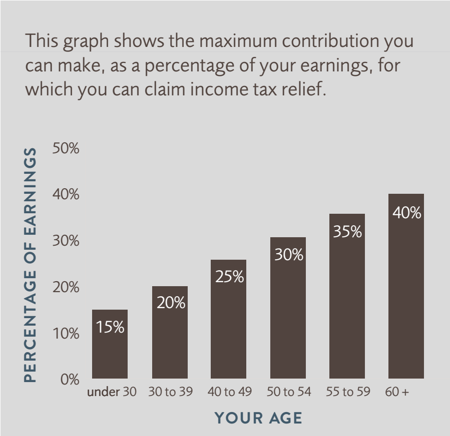
### CONTRIBUTIONS

You invest either regular contributions or one-off contributions, or both. Most people choose regular contributions because it is easier and spreads out the cost. If you are an employee and are not in a pension plan at work, your employer could also contribute to your plan.

### INCOME TAX RELIEF

To encourage people to save for retirement the Government provides significant income tax relief on PRSA pension plans. You can claim income tax relief on your contributions, tax free investment returns and you may be able to take a retirement lump sum, some or all of this may be tax free. Pension income in retirement is subject to income tax, the Universal Social Charge (USC), PRSI (if applicable) and any other taxes or government levies on withdrawal.

You are not guaranteed income tax relief, but you will generally get income tax relief on contributions up to the percentage of net relevant earnings defined and set out overleaf. For certain occupations you may get income tax relief of 30% of your earnings, no matter how old you are. In general, these tend to be professional sportspeople who earn their income from that occupation.




If you are an employee, these limits include any contribution your employer may make. Any employer contributions over these limits will be treated as a benefit-in-kind (a perk that does not take the form of salary) for the employee. Please talk to your financial adviser for more information on the possible benefits-in-kind implications on your employer contributions.

If you contribute more than these amounts, or if you contribute during a period when you are unemployed, you can carry forward income tax relief for future years.

Earnings are defined as follows:
If you are an employee, your earnings are your salary plus any overtime, bonuses and benefits-in-kind.

If you are self-employed, your earnings are your 'net relevant earnings'. (That is, your income during a tax year, less any allowances, losses and certain charges and deductions (such as mortgage interest) you can claim income tax relief on).

Income tax relief is currently not available on net relevant earnings which are more than €115,000 and include contributions to other approved pension arrangements, such as retirement annuity contracts, other PRSAs and employee contributions to company pension schemes (including AVCs). To be eligible to claim relief, your income must be taxable under Schedule E or Schedule D (case I or II).

## Growth

We invest your contributions in a fund where any growth achieved will not be taxed. Sometimes the fund you have chosen may have to pay tax on some of the assets held outside of Ireland, depending on the tax rules of the country.

## Retirement Fund

Finally, you'll hopefully have built up a big enough fund for your retirement. Normally, you can take your benefits between the ages of 60 and 75, but there are certain exceptions which we'll explain on page 19. At that stage, you'll have a number of choices in terms of what you want to do with that fund.

First of all, you can take part of your pension fund as a retirement lump sum. You may be able to take some or all of this retirement lump sum tax-free. The amount will depend on Revenue limits and your job status (whether you were self-employed or an employee and in a company pension scheme or not) at the date you take your benefit.

Depending on your circumstances you can use the rest of your fund to:

- Buy a pension for life
- Take as an investment, or
- Take as a taxable cash sum

Income tax, the USC, PRSI (if applicable) and any other taxes or government levies will be taken from each option. We explain your retirement options in more detail in Section D.

**WARNING: If you invest in this product you may lose some or all of the money you invest.**

**WARNING: The value of your investment may go down as well as up.**

# SUITABILITY SNAPSHOT

| This PRSA might suit you if you: | This PRSA might not suit you if you: |
|---|---|
| ✓ are looking for a long-term investment plan to provide for your retirement | × do not need a pension plan to provide for your retirement |
| ✓ don’t need to use your fund before age 60 (until you retire) | × need to use your fund before age 60 (before you retire) |
| ✓ are happy with the charges on this PRSA (which have been outlined in a separate document) | × are not happy with the charges on this PRSA |
| ✓ are happy with the choice of funds available on this PRSA | × are not happy with the choice of funds available on this PRSA |
| ✓ would like to take advantage of the income tax relief available on pension contributions. You understand that when you retire, your pension benefits (after the retirement lump sum) are taxed as income. | × are not currently paying income tax, and cannot take advantage of the income tax relief available on pension contributions. |

# C YOUR INVESTMENT OPTIONS

**The fund that is right for you depends on the amount of risk you are willing to take and how long you have to invest for. Risk means different things to different people, your Financial Adviser can help you decide what level of risk suits you.**

## AMOUNT OF RISK

- Lower-risk funds aim to protect your investment from large falls in value, but the potential for large gains is lower than if you choose a higher-risk fund.
- Higher-risk funds, such as those investing in company shares, do not aim to protect your investment from large falls in value, but you do have the potential to gain much more, especially over the long term. If you invest in these types of funds, you should realise that, in wanting a higher return, you need to accept that the value of these funds can move up and down, sometimes by large amounts.

The return any fund can provide is not guaranteed and you could lose some or all of the value of your investment.

## HOW LONG YOU WANT TO INVEST FOR?

It is important to consider how long you have left until you retire. If you are many years away from retirement, you may be able to accept more risk than somebody who is quite close to retirement.

## SWITCHING INVESTMENT OPTIONS

You can switch your investment from one fund to another at any time if you decide you want a lower-risk or higher-risk investment. There is no cost for switching between funds. However, some funds may have a switching delay period. For a full list of the funds available on this pension and to see if a delay period applies to your chosen fund, please refer to Section G of this booklet, "Your PRSA Fund Guide".

Please read Section G of this booklet, "Your PRSA Fund Guide", carefully before choosing which funds to invest in. This is because some funds may have a switching delay period or you may have to pay a charge for leaving.

If you have a Self-Invested fund and want to switch out of the fund, the fund manager must first sell the assets in the fund. If there are assets which are not easy to sell quickly, it may take some time to sell them and this would result in a delay in making the switch.

## DEFAULT INVESTMENT STRATEGIES

Together with the list of funds described in Section G of this booklet "Your PRSA Fund Guide", we also offer 2 Default Investment Strategies.

The Default Investment Strategies are an automatic switching tool that gradually moves your pension fund between certain funds during the term of your plan and as you get nearer your chosen retirement date. If you choose to invest in one of our Default Investment Strategies, we will invest your contributions in funds we have chosen during the term of your contract.

There are two different strategies – the Default Investment Strategy (Annuity) and the Default Investment Strategy (ARF).

The Default Investment Strategy (Annuity) is suitable if you plan to buy an annuity with your pension fund at your chosen retirement date.

The Default Investment Strategy (ARF) is suitable if you plan to invest your retirement fund in an Approved Retirement Fund (ARF) after your chosen retirement date.

The Default Investment Strategies described above are designed to meet the needs of typical contributors who are planning to buy an annuity when they retire or want to invest in an ARF. They invest through pooled unit-linked funds. The assets which are invested in these funds will spread risk, can be cashed in quickly and are valued often.

Before choosing either strategy, you should be aware that the funds in which they invest can rise and fall in value and have different levels of risk. We explain this in the description of each fund in Section G of this booklet.

## THE DEFAULT INVESTMENT STRATEGY (ANNUITY)

This strategy is suitable if you plan to buy an annuity with your pension fund at your chosen retirement date. This strategy invests in the Experienced Portfolio Fund (High Risk) until 15 years before your chosen retirement date. We will then invest your money in the Balanced Portfolio fund (Medium Risk).

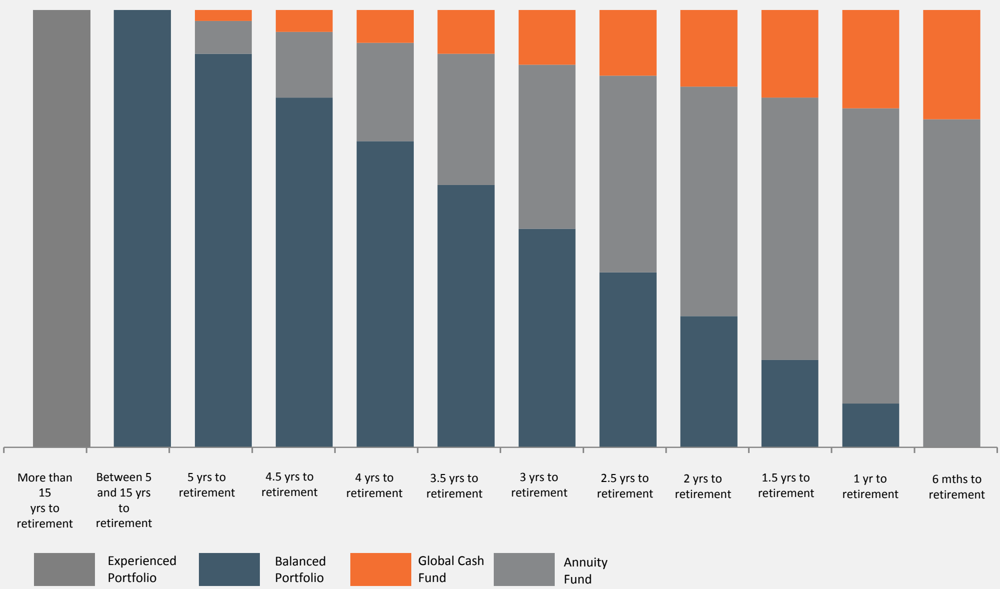
When you are five years away from your chosen retirement date, we will gradually switch your fund from the Balanced Portfolio Fund into a mix of the Annuity Fund (Medium Risk) and Global Cash Fund (Low Risk). We switch one-tenth of the fund every six months, until six months from your chosen retirement date when we invest your entire fund in the Global Cash Fund and the Annuity Fund. For the last six months, 25% of your Retirement Fund is invested in the Global Cash Fund, with the other 75% invested in the Annuity Fund. By choosing the Default Investment Strategy (Annuity), you should be aware that the funds we have chosen could fall in value, some more than others, during the term of your plan.

This approach tries to make sure that your fund does not experience major changes in value as you get nearer your chosen retirement date. The purpose of the Default Investment Strategy (Annuity) is mainly to generate a retirement income by buying an annuity rather than taking all of your retirement fund.

For information on the investment funds in the Default Investment Strategy, please read Section G "Your PRSA Fund Guide".

You can switch out of the Default Investment Strategy (Annuity) at any time. However, if you switch out of the Default Investment Strategy (Annuity) you cannot switch back in. There is no charge for any of the switches made within the Default Investment Strategy (Annuity).

### TABLE OF INVESTMENT SPLIT BETWEEN FUNDS IN THE DEFAULT INVESTMENT STRATEGY (ANNUITY)



## THE DEFAULT INVESTMENT STRATEGY (ARF)

This strategy is suitable if you plan to invest your retirement fund in an Approved Retirement Fund (ARF) after your chosen retirement date.This strategy invests in the Experienced Portfolio Fund (High Risk) until 15 years before your chosen retirement date. From that time on, we will invest your money in the Balanced Portfolio Fund (Medium Risk) until your chosen retirement date.

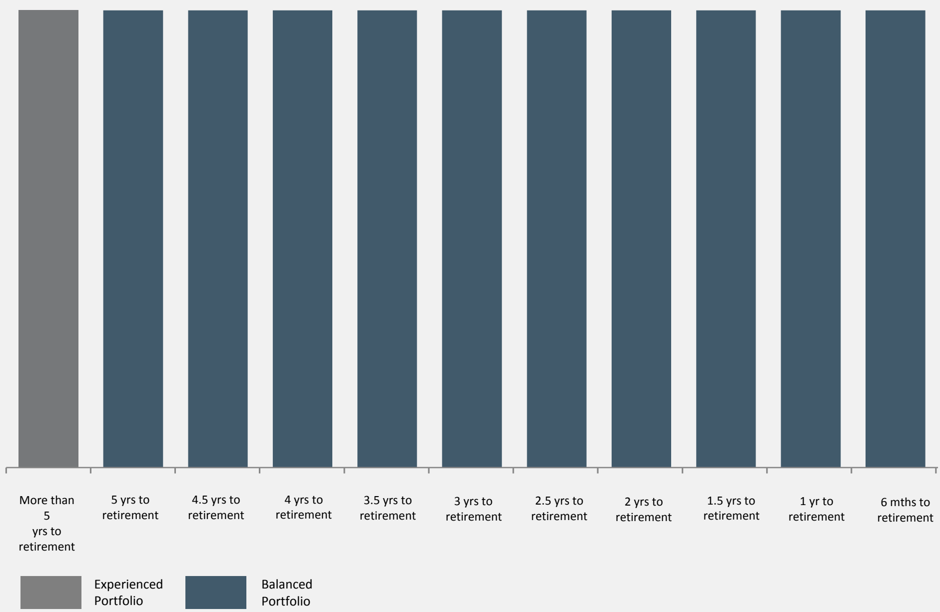
By choosing the Default Investment Strategy (ARF), you should be aware that the funds we have chosen could fall in value, some more than others, during the term of your plan. The purpose of the Default Investment Strategy (ARF) is mainly to provide a retirement fund that you can take rather than buying an annuity.

For information on the funds in the Default Investment Strategy (ARF), please read Section G "Your PRSA Fund Guide". You can switch out of the Default Investment Strategy (ARF) at any time. However, if you switch out of the Default Investment Strategy (ARF) you cannot switch back in. There is no charge for any of the switches made within the Default Investment Strategy (ARF).

**Note: At retirement, if you take your retirement lump sum, and remain invested in your plan, the Default Investment Strategy you have chosen is turned off and there will be no more automatic switches.**

**WARNING: If you invest in this product you may lose some or all of the money you invest.**
**WARNING: The value of your investment may go down as well as up.**
**WARNING: Certain funds may be affected by changes in currency exchange rates.**

## TABLE OF INVESTMENT SPLIT BETWEEN FUNDS IN THE DEFAULT INVESTMENT STRATEGY (ARF)



# D YOUR OPTIONS WHEN YOU RETIRE

One of the benefits of the Irish Life PRSA is that you will have a number of options when you retire, including taking part of your pension fund as a retirement lump sum. You don't need to decide now what you're going to do, you can make your decisions closer to retirement when you have a better idea of how you'd like to spend the money you've built up.

## RETIREMENT LUMP SUM

You can take part of your pension fund as a retirement lump sum. You may be able to take some or all of this retirement lump sum tax free.

The amount you can take as a retirement lump sum will depend on whether or not you are a member of an occupational pension scheme.

- If you are self-employed, or an employee but not a member of an occupational pension scheme, you can take 25% of the fund as a retirement lump sum.

- If you are a member of an occupational pension scheme and have contributed AVCs, your PRSA will be a PRSA AVC and the retirement lump sum from your PRSA AVC will depend on how you take your retirement lump sum from your occupational pension scheme.

If you take 25% of your occupational pension scheme as a retirement lump sum, then you can also take 25% from your PRSA AVC as a retirement lump sum.

Your other option is to take a maximum retirement lump sum between your occupational pension scheme and PRSA AVC of up to 150% of your final salary. However, this depends on the length of time you have actually been employed. If this is less than 20 years or you leave employment before your normal retirement date, the retirement lump sum will be reduced.

### Let's take an example

If your employer's scheme provides you with 100% of your final salary as a retirement lump sum, you can use your PRSA AVC to provide the other 50%, as long as you have the number of years' service to allow this.

The maximum tax free retirement lump sum you can receive is €200,000. Retirement lump sums between €200,000 and €500,000 will be subject to standard rate income tax (currently 20%). Any retirement lump sum greater than €500,000 will be taxed at your marginal rate as income, the USC, PRSI (if applicable) and any other taxes or government levies due at that time will also be deducted. Both the €200,000 and €500,000 limits include all retirement lump sums you have received since 7 December 2005.

After you've taken your retirement lump sum, you have three options:

A: Buy a pension for life
B: Invest the rest of your fund
C: Take as a taxable cash sum

We will discuss these options as follows.

## A Buying a pension for life

You can use the rest of the fund to buy a pension (in other words, a regular income which will be paid for the rest of your life. This is also known as an annuity). Usually, this means that you pay your pension fund over to us (or another insurance company if you'd prefer) and we'll guarantee to pay you a regular amount every month while you're still alive.

You can also choose other options, for example having the income increase each year, or having part of it paid to your spouse, registered civil partner or dependants after you've died.

You don't have to make any of these decisions until you actually retire. If, when you retire, you do decide to buy an annuity, the pension is treated as normal income so you will have to pay income tax and any other tax due at that time. Also, because it is a pension for you, you cannot cash it in, change it to a lump sum, or transfer it to someone else in the future.

If you are a member of an occupational pension scheme and you have paid AVCs into a PRSA, there may be limits on the maximum pension allowed. For more information please read our 'Additional Voluntary Contributions and your Personal Retirement Savings Account' booklet.

## B Invest the rest of your fund

After taking your retirement lump sum, you can continue to invest the rest of your pension in a fund that you can manage and control during your lifetime, and then leave to your family when you die.

Depending on your circumstances, you will have two options for investing your pension fund.

### Option 1
### Leave your funds in your Irish Life PRSA

If you leave the remaining fund in your Irish Life PRSA, your plan is called a Vested PRSA. Depending on your circumstances at the time you take your retirement lump sum, you may have to keep up to €63,500 in your Vested PRSA - this is called your restricted fund. You will not be able to take withdrawals on the fund below the amount of the restricted fund. You will not have to keep a restricted fund if you meet one of the following conditions:

- You receive a guaranteed pension income of €12,700 a year; or
- You have invested €63,500 in an Approved Minimum Retirement Fund (AMRF); (see option 2 for more information) or
- You have €63,500 in a separate Vested PRSA along with any amount you have invested in an AMRF; or
- You have used at least €63,500 to buy a guaranteed pension income for life.

Anything over your restricted fund will be treated in a similar way to an ARF (see below). When you turn age 75, you will not be able to make further withdrawals from your Vested PRSA (however the minimum withdrawal requirements will continue to apply - see the Minimum Withdrawal Amount section below for further information). If you want to take withdrawals greater than the minimum withdrawal amount, you should speak to your financial adviser who can discuss other options with you.

### Minimum Withdrawal Amount

The Finance Act 2006 introduced an obligation on all Qualifying Fund Managers to take tax from ARF funds every year as if you had taken a minimum withdrawal. The Finance Act 2012 extended this tax requirement to Vested PRSAs. We are a Qualified Fund Manager. Each December, we will review any regular withdrawals you have taken during the year. If you haven't taken any regular withdrawals, or if the withdrawals you have taken are lower than the minimum withdrawal amount, we will pay you the minimum withdrawal amount less any income tax, PRSI (if this applies), the USC and any other taxes or government levies due at that time.

The current minimum withdrawal amount is 4% of the value of your fund at the end of each year from the year you turn 61 (or 60 if your birthday is 1 January) and 5% of the value of your fund from the year you turn 71 (or 70 if your birthday is 1 January).

You will have to appoint a nominee Qualified Fund Manager (QFM) if the total value of your ARFs and Vested PRSAs (less the restricted fund) is more than €2,000,000.

The nominee QFM is responsible for making sure a withdrawal of 6% is taken from the value of your Vested PRSAs (above the restricted fund) and ARFs.

We will pay you a minimum withdrawal of 4% or 5% as outlined previously.

It is your responsibility to tell us if you have other ARFs and Vested PRSAs with a total value of more than €2,000,000.

The restricted fund in a Vested PRSA is not covered by this rule until you turn age 75. However, if at any stage in the future you become entitled to a guaranteed income which brings your total guaranteed income up to €12,700 a year, or if you invest more funds in a separate AMRF (see opposite for more information on AMRFs), the requirement to keep a restricted fund will no longer apply. The minimum withdrawal requirement will then apply to the full value of your Vested PRSA.

It is your responsibility to let us know if your income circumstances change.

**WARNING: The income you get from this investment may go down as well as up.**

## Option 2

## Invest in an ARF

Instead of leaving your fund invested in your PRSA, you can invest the rest of it in an ARF or AMRF of your choice. Then you can make withdrawals from your ARF when you need them. However, you will have to pay tax on any withdrawals you make. You can use your fund at any time to buy an annuity. From the year you turn 61 (or 60 if your birthday is 1 January) you will have to take a minimum regular income from your ARF. See the minimum withdrawal amount section opposite for more information.

## Invest in an AMRF

If you do not have a guaranteed pension income for life of at least €12,700 a year when you retire, you must invest €63,500 in an AMRF (or the rest of your fund if it is less than this amount) or buy a pension with the same amount. The main difference between an AMRF and an ARF is that you are not required to make a minimum withdrawal from an AMRF each year. You may make one withdrawal each year from an AMRF of up to a maximum of 4% of the value of your funds at that time. You will have to pay tax on any withdrawal made and the withdrawal may be subject to an early withdrawal penalty.

This 4% restriction applies until one of the following happens (whichever is first).

- You start receiving a guaranteed pension income for life from other sources (currently €12,700 a year), or

- You reach age 75.

It is your responsibility to let us know if your income changes.

Whether you decide to take money from the fund within the Vested PRSA or transfer to an ARF, it is important to remember that the value of your fund may be reduced over time if the level of income is high and the investment return is not high enough to maintain this.

Making regular withdrawals may reduce the value of your fund, especially if investment returns are poor or you choose a high rate of withdrawal (or both). It is possible that your fund could run out before you die. The higher the level of regular withdrawal you make, the higher the chances are that you will use up your fund in your lifetime. What is most important is that you make sure you have a reasonable fund when you retire so you can make these choices. If you do not have a guaranteed pension income that will maintain your current standard of living during retirement, we recommend that you think about buying a pension before choosing to draw an income from your Vested PRSA or invest in an ARF.

All of these options and limits are based on current laws and regulations, which could change in the future.

## C Take as a taxable cash sum

Before you can take this option, you need to have a guaranteed pension income for life of €12,700 a year or leave €63,500 in your Irish Life PRSA as a Vested PRSA or an AMRF. You will have to pay income tax at your highest rate on the cash lump sum along with any other taxes and government levies due at that time.

The limits above may change in the future.

When you are taking your retirement benefits, you will need to give us all relevant information about your existing pension arrangements and income. We will let you know the restricted fund amount that applies to you when you are taking your retirement benefits.

# E YOUR QUESTIONS ANSWERED

**AM I ELIGIBLE TO TAKE OUT THIS PLAN?**
You can take out this plan if:

- You are a resident (you live permanently) in Ireland and you are between the ages of 18 and 75; and
- you are self-employed or in a job which is non-pensionable; or
- you are a member of an occupational pension scheme and want to pay AVCs into a PRSA to boost your retirement benefits (see note below); or
- you are unemployed.

Note: If you plan to pay AVC's into your PRSA, we recommend you also read our guide called "AVCs and your Irish Life PRSA - a guide for members of defined benefit and defined contribution Occupational Pension Schemes".

Certain restrictions apply and we outline these in the guide.

**WHAT ARE THE CHARGES?**
There is a fund charge applicable on your plan, the level of which will depend on the fund you choose to invest in.

Full details of the charges relevant to your contract are fully explained in the "Your Charges Explained" leaflet included with this booklet.

**Entry Charge:** There is no entry charge on each regular or one-off contribution you pay. You do not have to pay an entry charge on any transfer you make from approved pension plans into your PRSA.

**Fund Charges:** We will take a fund charge from your fund value every month. This covers the cost of managing your investment funds.

**Government Levies:** We will take any government levies due and pass them directly to the Revenue Commissioners, these levies will be taken from your fund.

**Please also see your Preliminary Disclosure Certificate which will outline the effect of the charges on a typical PRSA.**

**WHAT PAYMENT OPTIONS DO I HAVE?**
You can choose between making regular contributions, adding a one-off single contribution at any stage or paying them separately. Most people tend to pay regularly. You can pay:

- regular contributions by direct debit (every month, every three months, every six months or every year);
- one-off contributions by cheque; and
- if you are an employee, by having your contributions taken from your salary. If you are not in an occupational pension scheme at work, we will add any employer contributions to your personal contributions.

If you start your PRSA by paying one-off contributions, you will not be able to pay regular contributions into that PRSA.

If you are a member of an occupational pension scheme at work, it is not possible for your employer to contribute to your PRSA, as contributions can only be paid by you, as additional voluntary contributions (AVCs).

## CAN MY EMPLOYER TAKE MY CONTRIBUTIONS FROM MY SALARY?

Yes. Your employer can take contributions from your salary whenever you are paid. This could be every week, every fortnight or every month. We will then take this contribution from your employer's bank account.

Your plan will be a monthly-paid plan and we will collect contributions from your employer every month.

For example, if you are paid weekly and decide to make a regular contribution of €60, we multiply €60 by 52 (weeks in a year) and divide it by 12 (months in a year). Your plan will then be set up for €260 every month and we will collect this from your employer's bank account every month by direct debit.

So, at certain times, the amounts taken from your payroll may be held in your employer's bank account for a short period before they are sent to us and invested in your plan. We invest contributions on the day we receive them.

## WHAT IS THE MINIMUM AMOUNT I CAN CONTRIBUTE?

The minimum amount you can contribute by direct debit is €300 a year.

## WHAT IS THE MAXIMUM AMOUNT I CAN CONTRIBUTE?

There is no maximum contribution limit into this plan. However, the highest regular contribution we can accept is

- €5,000 if you pay it each month;
- €7,500 if you pay it every three months;
- €15,000 if you pay every six months; or
- €30,000 if you pay it each year.

If you want to pay higher amounts, you will have to pay them as one-off contributions.

## WHAT IS THE MINIMUM TERM?

The minimum investment term on Irish Life PRSA is two years, however there is no minimum investment term where contributions are paid by payroll deduction.

## CAN I CHANGE THE AMOUNT I PAY, OR EVEN STOP PAYING FOR A WHILE?

If you want to, you can increase your contributions, reduce your contributions, or take a break from making contributions at any time. However, the estimated value of your pension fund, which will be in the Statement of Reasonable Projection section of your welcome pack, is based on the contribution level that you agreed to pay when you started the plan.

So remember that reducing (or stopping) your contributions will reduce the value of your pension when you retire. If you are going to miss any contributions, you should contact your financial adviser or our Customer Service Team.

## CAN I TRANSFER MY EXISTING PENSION FUNDS INTO THIS PRSA?

You can transfer any existing pension funds from approved retirement annuity contracts, PRSAs and occupational pension schemes into your PRSA. You can also transfer funds from pension arrangements overseas.

We will not add a contribution charge to that transfer contribution. You should think carefully about transferring funds from one plan to another. Some restrictions apply to transfers from occupational pension schemes and arrangements from overseas.

## DO MY CONTRIBUTIONS INCREASE WITH INFLATION?

When you take out your plan, you can choose to have your contributions increase with inflation. If, like most people, you choose this option, your contributions will increase each year in line with the Consumer Price Index (a measurement of inflation), or by 5% if this is higher. If your contributions are taken from your salary, this option is not available.

### CAN I CANCEL MY PLAN?

If, after taking out this plan, you feel that it is not suitable, you may cancel it by writing to us at:

Irish Life Assurance plc,
Irish Life Centre,
Lower Abbey Street,
Dublin 1.

If you do this within 30 days of the date you receive your Statement of Reasonable Projection, we will cancel the plan. We will refund any regular contributions you have made. We will return any one-off contributions or transfers less any fall in value due to market conditions and in line with Revenue rules.

After the 30 days are over, you do not have the option to cancel your plan and get a refund if the plan is not suitable.

You can stop contributing to your plan at any time, but you will not usually be able to take the benefits from your plan before you reach age 60.

### CAN I STOP PAYING INTO MY PLAN?

If you decide to stop making contributions, your pension fund stays invested and continues to grow. Obviously, the value of your fund when you retire will be lower than if you had continued paying. Before stopping contributions, you should be sure that you have made other arrangements for your retirement. You should contact your financial adviser for more details.

### IS THERE A LIMIT ON THE SIZE OF MY PENSION FUND OR MY RETIREMENT CASH?

For tax purposes, the current maximum pension fund you can have is €2,000,000 from all sources. This is called the Standard Fund Threshold (SFT). If you have pension funds over this amount, you will be taxed at the higher rate for income tax. This tax is taken from the pension fund before your retirement benefits are payable. You should contact your financial adviser for more details.

You will have to pay standard rate income tax on any retirement lump sum between €200,000 and €500,000. Any amounts over €500,000 will be taxed as income at your marginal rate. The USC, PRSI (if applicable) and any other taxes or government levies due at the time will also be taken.

### WHAT IS A PERSONAL FUND THRESHOLD?

If you have a Personal Fund Threshold Certificate issued from the Revenue, your maximum pension fund at retirement may be more than €2,000,000. You should contact your financial adviser or us for more details.

### DO I HAVE TO PAY TAX ON MY PENSION?

We must pay benefits under this plan in line with current tax law. Any taxes or government levies will be collected by us and passed directly to the Revenue Commissioners as required.

Under current law, when you retire, you can take some of the fund as a retirement lump sum. We explain how much of this you may be able to take tax free in Section D. You will have a number of options as to how you can use the rest of your pension fund. The tax you pay will depend on which one you choose. If you choose to buy a pension for life, your income will be taxed as income in the normal way.

If you continue in an ARF or continue to invest in your PRSA as a Vested PRSA, you will have to pay tax on any withdrawals that you make.

### WHEN IS THE EARLIEST I CAN TAKE MY PENSION, AND DO I HAVE TO RETIRE?

If you are self-employed, you can take your benefits from age 60. You do not have to retire to take your pension benefits. Some occupations allow you to take benefits earlier, such as pilots, fishermen, jockeys, professional rugby players, singers and so on.

If you are an employee and you are not a member of an occupational pension scheme, you can take your benefits at any time after your 50th birthday.

If you do this between age 50 and 60, you must retire from your job. From age 60 you can continue to work and take your benefits at the same time.

If you are a member of an occupational pension scheme at work and have paid AVCs into a PRSA, your retirement age must be the same as the retirement age under your pension scheme at work. We will pay benefits in line with your main scheme. You will need the permission of the trustees of your work scheme to take your benefits. This may mean that you will need to retire so you can take benefits before the scheme's normal retirement age.

If you need to retire because of ill health, it is possible to take benefits earlier than outlined, please see below for more details.

If a transfer is paid into this plan and was granted to you under a pension adjustment order then the earliest retirement date will not be based on your date of birth, but will be based on your former spouse's (or registered civil partner, qualified cohabitant's) date of birth and their employment status at the time of transfer

### WHAT HAPPENS IF I STOP WORKING?

If you stop working but do not plan to begin taking benefits, you can either:

- stop contributing to the plan (perhaps until you start working again);
- continue to contribute to the plan. If you do continue to contribute, income tax relief on the contributions will have to be carried forward to when you have earnings in the future.

### WHAT HAPPENS IF I HAVE TO RETIRE EARLY BECAUSE OF ILL HEALTH?

If you have to retire early because of ill health , you can take your pension benefits immediately.

However, your pension may be low because your contributions are stopping at an earlier age and the pension will have to last longer as you will be retiring earlier. If you retire early because of ill health, you must give us medical evidence to support this.

The definition of ill health in Section 787k of the Taxes Consolidation Act 1997 is you are "permanently incapable through infirmity of mind or body of carrying out his or her own occupation or any occupation of a similar nature for which he or she is trained or fitted".

### CAN I TAKE MONEY OUT OF MY PRSA?

In most cases you will only be able to access your PRSA from age 60 or due to early retirement. Please see above for more information on early retirement.

It may be possible to cash in the value of your plan if it is €650 or less and you have not paid contributions into your PRSA in the two years before you ask to cash it in.

If the value of your fund is €650 or less and you do not pay any more contributions into it for two years, we have the right to ask that you transfer your fund to another approved pension scheme or start to pay contributions again. We will write and tell you about this. If we don't hear back from you within three months of this request, we could decide to automatically refund the value to you.

### WHAT HAPPENS IF I DIE BEFORE STARTING TO TAKE MY BENEFITS?

We will pay the value of your pension fund to your estate.  Your dependents may have to pay inheritance tax depending on who inherits the fund.  Tax law changes over time and we would advise that you get independent tax advice on this.

### WHAT HAPPENS IF I DIE AFTER STARTING TO TAKE MY BENEFITS?

If you have taken your retirement lump sum, and you have decided to continue investing through your PRSA as a Vested PRSA, we will pay any value left in your Vested PRSA to your estate. Your dependants may have to pay tax, depending on who inherits the funds. If you leave the funds to your spouse or registered civil partner, they can transfer the funds to an ARF in their own name. In all other cases, we pass the funds to your estate. If your estate has to pay income tax, we must deduct this before paying the proceeds to your estate.

Generally the amount is treated as income for the year of your death. There are a number of exceptions to this rule.

Income tax is not due if:

- The funds are transferred to an ARF in your spouse's or registered civil partner's name. However PAYE is due on any future withdrawals.
- The funds are transferred for the benefit of your children who are under 21 on the day you die.

Income tax will be due at a rate of 30% if the value of your Vested PRSA is transferred for the benefit of any of your children who are over 21 on the day you die.

As well as income tax, there may also be Capital Acquisitions Tax (CAT) due on the value of your plan, if your Vested PRSA is not paid to your spouse or registered civil partner or to any of your children over 21  years of age. The beneficiaries are responsible for paying this tax. Tax law changes over time and you should get independent tax advice on this.

### HOW DO I GET INCOME TAX RELIEF ON MY PRSA CONTRIBUTIONS?

If we take your personal contributions from your bank account, you can apply to your inspector of taxes to have your tax credits adjusted to reflect your pension contributions. If your contributions are paid from your salary, you will receive immediate income tax relief. Any employer contributions will receive corporation tax relief in the year the contribution was made.

If you are self-employed, you must include your pension contribution in your self-assessment tax returns in order to get income tax relief.

Income tax relief is not currently available on net relevant earnings which are more than €115,000 including contributions to other approved pension arrangements.

For certain occupations you may get tax relief of 30% of your earnings, no matter how old you are. In general, these tend to be professional sportspeople who earn their income from that occupation.

### WHAT HAPPENS IF I LEAVE MY EMPLOYMENT?

If you are self-employed while paying into a PRSA and then move into a job which has a pension scheme, your contributions into your PRSA either should end or become additional voluntary contributions linked to your main scheme. The way you make your contributions could change (for example, from direct debit to payroll deductions) and you should let your financial adviser or us know.

If you are employed in a job which does not have a pension scheme and then become self-employed, you can continue your contributions as normal.

If you move into a job which has a pension scheme, your contributions into your PRSA either should end or become additional voluntary contributions linked to your main scheme. The way you make your contributions could change (for example, from direct debit to payroll deductions) and you should let your financial broker or us know.

If you are a member of an occupational pension scheme and are paying AVCs into a PRSA but leave that job, your contributions can continue but they will become ‘ordinary’ contributions unless you join another job with a pension scheme. This may mean changing how your contributions are made from a payroll deduction to direct debit from your personal account.

If you move from an occupational pension job to another occupational pension job, the payroll system will change from the old employer to a new employer. We can only do this if you let us know immediately about this change.

It is important that we keep a record of your employment history to pay out the correct benefit to you when you retire. So changing your job does not mean that you have to stop paying into your PRSA. It just means that you may have to change the way you pay your contributions and you should let us know as soon as possible.

There may be restrictions on paying AVCs into some occupational pensions schemes.

## CAN I MOVE MY MONEY TO ANOTHER PROVIDER?

You can transfer your plan to another approved PRSA provider at any stage. You can also transfer your assets to an approved occupational pension scheme if you are a member of that scheme and the trustees are willing to allow this. You may also be able to make a transfer to an approved pension arrangement outside the state. Some restrictions apply to transfers to pension arrangements overseas.

We do not charge you for transferring out of the PRSA unless you are in a fund which restricts you from leaving before an agreed date. We may also set a delay period before a transfer can take place. Transfers to an overseas pension scheme will be subject to income tax, Universal Social Charge and PRSI (if applicable). You should check with your financial adviser if this applies to your chosen fund.

Please also see the relevant fund description in this booklet and your terms and conditions document. These give you an idea of whether these restrictions could apply.

## FAMILY LAW AND PENSIONS

If you are involved in a judicial separation or divorce or dissolution of a civil partnership or ending of a relationship with a qualified cohabitant, a pension adjustment order may be granted by the court. There is no option to establish an independent benefit within this plan. A pension adjustment order issued by the court will override the terms and conditions of this plan. This will direct us to pay all or part of the benefits under this plan when you retire or die, to any person named in the pension adjustment order

The Pensions Authority,
Verschoyle House,
28/30 Lower Mount Street,
Dublin 2.

Phone: 01 613 1900
Fax: 01 631 8602

## WHO SHOULD I TALK TO IF I HAVE ANY QUESTIONS OR COMPLAINTS?

If you have any questions about your PRSA or have a complaint, please contact your Financial Adviser. If you have a complaint about the services provided by your Financial Adviser, you should contact their offices.

If you believe that you have suffered a financial loss as a result of poor administration of your PRSA or if there is a dispute of fact or law, you should contact our Customer Service Team. As a PRSA provider, we must set up an Internal Disputes Resolution procedure. You can ask us for a copy of this at any time. After writing to us with your complaint, we will make a decision on it and let you know. If you are unhappy with this decision, under Part XI of the Pensions Act, 1990 as amended you can take your complaint to the Pensions Ombudsman at the following address.

The Office of the Pensions Ombudsman
4th Floor Lincoln House
Lincoln Place
Dublin 2
Phone: 01 676 6002
Fax: 01 661 8776
Email: info@pensionsombudsman.ie
Website: www.pensionsombudsman.ie

The Pensions Ombudsman will investigate the matter for you. Both you and we can appeal their decision to the High Court. For more information on your rights, please contact the Ombudsman's office.

If you have any other type of complaint, please contact our Customer Service Team. We will review your complaint and let you know the outcome. If you are not satisfied with this, we will let you know where you can go to process your complaint further.

You can contact the Irish Life Customer Service team at:

Phone: 01 704 1010
Write to: Irish Life Assurance plc,
Irish Life Centre,
Lower Abbey Street,
Dublin 1.
Email: customerservice@irishlife.ie

In the interest of customer service, Irish Life will record and monitor calls.

The Pensions Ombudsman does not investigate every customer complaint. Sometimes complaints are dealt with by other industry regulators, such as the Pensions Authority, the Financial Regulator or the Financial Services Ombudsman. Our Customer Service Team can let you know which regulator is most suitable for your complaint.

However, the decision as to which office will deal with your complaint lies only with that office.

## WHO IS MY PRSA CONTRACT PROVIDED BY?

Your contract is in the form of a plan and is provided by Irish Life Assurance plc. It sets out the details of your contract with us. This booklet is only meant to be a guide to help you understand your Irish Life PRSA plan and does not give you all the details of your plan. These details will be in your plan schedule.

We will include more specific details and rules in your Terms and Conditions Booklet, which you should also read carefully. Your application form and plan will be your legal contract with us. The contract will be governed by Irish law. The Irish courts are the only courts that are entitled to hear disagreements. The information in this booklet is based on our understanding of current law, tax and Revenue practice.

The Pensions Authority and Revenue Commissioners have approved this product. the Pensions Authority has issued an approval number for your contract and this is on the leaflet which comes with this booklet.

# F GLOSSARY

### ANNUITY/PENSION FOR LIFE
When you retire you can use your retirement fund to buy an annuity. This is an income from your pension fund after you retire. This income is paid on a regular basis for the rest of your life.

### APPROVED RETIREMENT FUND (ARF)
When you retire you can invest your retirement fund into a personal investment account called an Approved Retirement Fund (ARF). You can withdraw money from the account when you need it.

### APPROVED MINIMUM RETIREMENT FUND (AMRF)
When you retire, if you do not have a guaranteed pension income for life of €12,700 a year, and you are not buying an annuity, you must leave €63,500 invested in your Vested PRSA as a restricted fund, or invest this amount from your pension fund into a personal investment account called an Approved Minimum Retirement Fund (AMRF). The limits above may change in the future.

### ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)
These are extra contributions you can pay into your PRSA or Company Pension to add to the pension benefits already available from your Company Pension.

### CHOSEN RETIREMENT DATE
The date you want to retire, and take your pension benefits. For example, age 65.

### CONSUMER PRICE INDEX (CPI)
A measure that examines the change of prices of particular consumer goods and services purchased by households, such as transport, food and medical care.

### CONTRIBUTION
The amount of money you invest in a PRSA.

### INDEX LINKED FUND
A fund that is index-linked, means it tracks the performance of a particular stock market index rather than investing directly in specific assets that the manager believes will do better.

### INFLATION
The rate at which the general level of prices for goods and services is rising and as a result the buying power of your money falls.

### REGULAR CONTRIBUTIONS
Contributions you invest into your PRSA on a regular basis, for example every month or three months. These regular contributions are usually the same amount of money for a set period of time.

### ONE OFF CONTRIBUTION
These are also known as single contributions, as these contributions are not paid into your PRSA plan on a regular basis and can often be different amounts of money.

### UNIT LINKED FUND
A unit linked fund combines your money with money from other investors and buys units in a fund. The number of units you get depends on how much you invest and the price of the units at the time you buy.

## VESTED PRSA

A vested PRSA is:

- A PRSA where the PRSA customer has taken their retirement lump sum and left the rest of their fund invested in the PRSA. Or

- A PRSA where benefits have been paid from the main scheme (in the case of a PRSA where Additional Voluntary Contributions (AVC's) have been paid).

## VOLATILITY

The potential ups and downs that a fund may experience.  The more volatile a fund is, the more likely it is to experience ups and downs that could have a huge effect on your fund value.

# G YOUR PRSA FUND GUIDE

A wide range of funds are available on this PRSA plan, provided by Irish Life, to suit your needs. These funds give you access to different investment options, including bond funds, equity funds and multi-asset funds which include a mixture of different types of assets.

This Fund Guide aims to make your investment decision easier by explaining each of the funds and some of their risks. Combined with the experience of your financial adviser this should help you in choosing the fund options that suit you best.

This includes a range of model portfolios that may be appropriate depending on your investment needs. In addition, the range of funds available to you includes some of the best funds available to give you investment options in each of the main asset classes:

- Cash funds
- Indexed and active bond funds
- Indexed and active equity funds
- Multi-Asset funds
- Property funds
- Commodities funds
- Alternative funds

Access to a Self-Invested Deposit Fund for pensions is also provided.

This section covers the selection of fund options that are offered on this PRSA plan.

It is important that you read this section with the relevant Terms and Conditions booklet.

## 2. CHOOSING THE RIGHT FUND MIX

There are a wide range of funds available for you to choose from. The fund that is right for you will depend on:

- amount of risk you are willing to take;
- how long you want to invest for; and
- the amount of control you want over what you invest in.

Generally, funds that offer the highest potential for growth have the biggest ups and downs.
You have the ability to switch to a higher-risk or lower-risk fund and your financial adviser will help you decide what is best for you. A wide range of options is offered because everyone has different needs and views on how they would like to invest their funds. Where, and how, you invest will depend on the following:

### A. THE AMOUNT OF RISK YOU ARE WILLING TO TAKE

Depending on which fund you invest in, its value can fall as well as rise over the investment period. By choosing lower-risk investments, you are aiming to protect your initial investment from large falls, but the potential for large gains is lower than if you choose a higher-risk investment.

Higher-risk investments such as company shares (also called equities) do not aim to protect your initial investment from large falls but offer the potential for greater gains especially over the long term. If you invest in these types of investments you could lose some or all of the value of your investment.

Please see Sections 4 and 8 for more information on risk.

### B. HOW LONG YOU WANT TO INVEST FOR

If you are investing in a pension it is important to consider how long you have left until you retire. If you are many years away from retirement you may be able to accept more risk than somebody who is quite close to retirement. In general if you want to invest in any of the funds available it is recommended you invest for five years or more. It is also recommended you discuss your own individual circumstances including risk appetite and investment term with your financial adviser.

### C. INVESTMENT CHOICE

You can choose to invest in funds actively managed by a range of fund managers or you can choose to invest in indexed funds which aim to track the performance of particular stock markets or asset classes.
Think about how much investment experience you have and how much you want to be involved in the detailed investment decisions of your PRSA. Are you comfortable in choosing the individual asset classes your PRSA invests in or are you happy to leave this to a fund manager?

Your financial adviser will assist you in making the right investment choice that is suitable for your needs and objectives.
The right mix of assets is an important element of a successful portfolio. With the wide range of funds available you can build and tailor your investment portfolio to your individual needs. Please contact your financial adviser for details of the latest funds available.

**Specific risks that may affect individual funds are discussed in Section 8.**

## 3. ASSET CLASSES EXPLAINED

It is important to understand the types of investment available and some key terms:

### CASH

Cash is generally considered to be the safest investment. However, in exchange for this security, you can expect to earn relatively lower returns.

### BONDS

A bond is a type of loan given to a company or the government (Govt.). Say for example the government wants to raise money, they can issue a bond. If you loan money to a government you get your money back after a set timeframe and you will also receive a fixed interest rate (known as a coupon).

Bonds are considered to be a lower-risk investment than equities but run the risk that the borrower will not pay all of the interest or return the full value that was borrowed. Because of this extra risk, bonds tend to offer a higher return than cash.

Index-linked bonds are a particular type of bond that provide interest and capital payments linked to changes in inflation, providing some protection against the effects of future inflation.

### EQUITIES

These are also referred to as stocks or shares. They represent ownership of a company's assets and earnings. In the past, equities have earned higher returns than bonds or cash investments. However, they have also experienced periods of high volatility where investors have lost a significant portion of their original investment, so they are considered to be higher risk than cash or bonds.

### ALTERNATIVES

This refers to investments that are expected to have the same level of expected return and risk as equities. However, alternatives will generally rise and fall in value at different times and for different reasons than equities which makes them a good addition to a well-diversified investment fund. Alternatives may refer to investments like commodities (gold, oil, sugar and so on) or emerging-market equities (investments in China, Brazil, India and so on).

### PROPERTY

Property investment involves investing in commercial properties such as shops, offices and industrial properties.  The returns from property investment can come from rental income and capital appreciation. However, property can experience periods of low or negative returns and may take a long-time to buy and sell. For these reasons it is considered to be a higher risk than cash or bonds.

## 4. VOLATILITY AND RISK RATINGS

Irish Life rates the potential level of volatility for each fund managed by Irish Life Investment Managers (ILIM) and Setanta on a scale of 1 to 7. Volatility refers to the potential ups and downs a fund can experience. A fund rated 1 could be considered low risk and a fund rated 7 as very high risk. The volatility scale can change. Therefore, the volatility ratings in this booklet may not be the most up-to-date ratings. Please contact your financial adviser for the most up-to-date volatilities.

## 5. FUND OPTIONS

The following pages give you brief descriptions of the various funds available.

For each fund, the name of the fund, the fund manager and a brief description of the fund is shown. If you would like any more information on a particular fund please contact your financial adviser.

Important information that may apply to funds for example - cash in delays, charges and risks are noted separately in sections 6, 7 and 8. Please ensure you read these sections also.

The funds available are divided into a number of categories:

5.1 Model Portfolios
5.2 Cash Funds
5.3 Indexed Bond Funds
5.4 Multi-Asset Funds
5.5 Indexed Equity Funds
5.6 Active Equity Funds
5.7 Property Funds
5.8 Commodity Funds
5.9 Self Invested Deposit Fund

## 5.1 MODEL PORTFOLIOS

The Model Portfolios use a combination of assets to meet the needs of investors with different appetites for risk. The Model Portfolios invest in a mix of cash, bonds, equities, property and alternative assets. Irish Life can propose changes to the underlying funds at any stage in the future.

The Model Portfolios listed in this section are managed by Irish Life Investment Managers (ILIM), who set the asset allocations for these portfolios.

### CAREFUL PORTFOLIO (VOLATILITY 2)

This fund will typically invest mainly in lower risk assets such as cash and bonds. There may also be an allocation to other assets such as equities, property and alternatives. The asset mix will be reviewed and rebalanced regularly to maintain an appropriate level of exposure to such asset classes.

In addition to regular rebalancing of the fund's assets, the Dynamic Share to Cash (DSC) Model will operate on a portion of the fund. For this portion of the fund, the DSC model determines the level of investment in cash and shares. The DSC model looks at long term movements and trends in the market to determine factors such as the potential for stock market falls. Where this analysis identifies, for example, greater potential for stock market falls, the amount invested in shares will be reduced and the amount invested in cash increased in the portion of the fund to which the DSC applies. A similar process may in the future apply to other assets. It is important to note that the DSC looks at long-term movements and trends in the market and is not designed to react to one-off or short-term jumps or shocks.

Investors in this fund accept that returns may be low, particularly over longer time periods, but this is associated with low investment risk and price volatility.

**This fund is subject to Incentive Fees, see Section 7.3.**

**WARNING: Certain funds may be affected by changes in currency exchange rates.**

**WARNING: The value of your investment may go down as well as up.**

### CONSERVATIVE PORTFOLIO (VOLATILITY 3)

This fund will normally hold assets across the range of investment options including fixed interest securities, equities, cash, property and alternatives. The investment manager will review the asset mix on a regular basis to maintain a low to medium risk profile for the fund.

In addition to regular rebalancing of the fund's assets, the Dynamic Share to Cash (DSC) Model will operate on a portion of the fund. For this portion of the fund, the DSC model determines the level of investment in cash and shares. The DSC model looks at long term movements and trends in the market to determine factors such as the potential for stock market falls. Where this analysis identifies, for example, greater potential for stock market falls, the amount invested in shares will be reduced and the amount invested in cash increased in the portion of the fund to which the DSC applies. A similar process may in the future apply to other assets. It is important to note that the DSC looks at long-term movements and trends in the market and is not designed to react to one-off or short-term jumps or shocks.

Investors in this fund are looking for modest levels of investment growth and are prepared to accept some risk and volatility in asset values, particularly in the short term.

**This fund is subject to Incentive Fees, see Section 7.3.**

**WARNING: If you invest in this product you may lose some or all of the money you invest.**

**BALANCED PORTFOLIO (VOLATILITY 4)** The majority of this fund's investments will typically be in equities. There may also be allocations to alternative investments, property, cash and fixed interest investments to provide an element of risk diversification within the fund. The asset allocation will be reviewed and rebalanced by the investment manager on a regular basis to maintain an appropriate exposure to the different asset classes.

In addition to regular rebalancing of the fund's assets, the Dynamic Share to Cash (DSC) Model will operate on a portion of the fund. For this portion of the fund, the DSC model determines the level of investment in cash and shares. The DSC model looks at long term movements and trends in the market to determine factors such as the potential for stock market falls. Where this analysis identifies, for example, greater potential for stock market falls, the amount invested in shares will be reduced and the amount invested in cash increased in the portion of the fund to which the DSC applies.

A similar process may in the future apply to other assets. It is important to note that the DSC looks at long-term movements and trends in the market and is not designed to react to one-off or short-term jumps or shocks. Investors in this fund are looking for good investment growth over longer time periods and are comfortable with the investment risk associated with this which may mean falls in capital values over shorter time periods.

**This fund is subject to Incentive Fees, see Section 7.3.**

**EXPERIENCED PORTFOLIO (VOLATILITY 5)**
This fund typically invests mainly in equities with the remaining assets normally allocated to property, alternatives and other investments to provide an appropriate level of risk diversification. The asset mix of the fund will be reviewed and rebalanced regularly to maintain the risk profile of the fund.
In addition to regular rebalancing of the fund's assets, the Dynamic Share to Cash (DSC) Model will operate on a portion of the fund. For this portion of the fund, the DSC model determines the level of investment in cash and shares. The DSC model looks at long term movements and trends in the market to determine factors such as the potential for stock market falls. Where this analysis identifies, for example, greater potential for stock market falls, the amount invested in shares will be reduced and the amount invested in cash increased in the portion of the fund to which the DSC applies. A similar process may in the future apply to other assets. It is important to note that the DSC looks at long-term movements and trends in the market and is not designed to react to one-off or short-term jumps or shocks.

Investors in this fund aim for high investment returns and understand that to achieve this goal, high risk in investment choice may be necessary and capital values can fall, especially over short time periods.

**This fund is subject to Incentive Fees, see Section 7.3.**

**ADVENTUROUS PORTFOLIO (VOLATILITY 6)**
Normally, this fund predominantly invests in equities with a small allocation to other assets such as property and alternative investments. The investment manager will review and rebalance the asset allocation of the fund on a regular basis to maintain an appropriate level of exposure to the various asset classes.

In addition to regular rebalancing of the fund's assets, the Dynamic Share to Cash (DSC) Model will operate on a portion of the fund. For this portion of the fund, the DSC model determines the level of investment in cash and shares.

**WARNING: Certain funds may be affected by changes in currency exchange rates.**

**WARNING: The value of your investment may go down as well as up.**

**WARNING: If you invest in this product you may lose some or all of the money you invest.**

The DSC model looks at long term movements and trends in the market to determine factors such as the potential for stock market falls. Where this analysis identifies, for example, greater potential for stock market falls, the amount invested in shares will be reduced and the amount invested in cash increased in the portion of the fund to which the DSC applies.

A similar process may in the future apply to other assets. It is important to note that the DSC looks at long-term movements and trends in the market and is not designed to react to one-off or short-term jumps or shocks.

Investors in this fund seek very high investment returns over the longer term, and are prepared to accept significant investment risk and changes in capital values to achieve this aim, particularly over shorter time periods.

**This fund is subject to Incentive Fees, see Section 7.3.**

## 5.2 CASH FUNDS

Cash funds invest in deposit accounts or money market instruments. They are intended as a relatively low risk temporary home for your investment and should not be considered as long term investments. This is because in exchange for the security of cash you will earn relatively low returns.

**GLOBAL CASH FUND (VOLATILITY 1) ILIM** This fund invests in bank deposits and short-term investments on international and domestic money markets. It is intended to be a low risk investment but you should be aware that this fund could fall in value. This could happen if, for example, a bank the fund has a deposit with cannot repay that deposit or if the fund charge is greater than the growth rate of the assets in the fund.

**WARNING: Certain funds may be affected by changes in currency exchange rates.**

**WARNING: The value of your investment may go down as well as up.**

## 5.3 INDEXED BOND FUNDS

Investment in bond funds aims to achieve higher returns than cash. However, the risks associated with these funds are higher and the value of bond funds can vary and may fall as well as rise. Indexed Bond Funds aim to track the performance of a particular bond index. By choosing to invest in an indexed fund you eliminate the risk of a particular active investment manager underperforming the market. However you may also miss out on the additional return a skilled manager may generate. The indexed bond funds listed in this section are managed by Irish Life Investment Managers (ILIM).

### INDEXED EURO CORPORATE BOND FUND (VOLATILITY 3) ILIM

This fund invests in investment-grade euro corporate bonds which become due for payment at different times. By providing access to a wide range of companies who issue bonds, the fund aims to provide long-term returns which are greater than can be achieved by investing in cash or government bonds. This fund is suitable if you want a reasonable return with less risk than share based investments. The fund aims to track the performance of the Merrill Lynch EMU Large Cap Corporate Bond Index.

### INDEXED EURO SHORT DATED BOND FUND (VOLATILITY 2) ILIM

The assets of this fund are invested in short-dated government bonds issued in euro. The aim of this fund is to achieve consistently higher returns than cash. The fund aims to track the performance of the Merrill Lynch EMU 1 to 5 year government bond index.

### INDEXED EUROPEAN GILTS FUND (VOLATILITY 3) ILIM

This fund concentrates on medium-term Eurozone government gilts. These gilts are fixed-interest bonds that usually have five years or more to run. The fund aims to track the performance of the Merrill Lynch greater than 5 year EMU government bond index.

**WARNING: If you invest in this product you may lose some or all of the money you invest.**

### INDEXED INFLATION LINKED BOND FUND (VOLATILITY 3) ILIM

The Indexed Inflation-Linked Bond Fund invests in index-linked bonds issued by governments in the Eurozone. The return on these bonds is linked to inflation in the Eurozone so this fund aims to provide protection against inflation reducing the buying power of your investment. The fund aims to track the performance of the Barclays Euro Inflation Linked Bond Index.

### INDEXED FIXED INTEREST FUND (VOLATILITY 4) ILIM

The aim of this fund is to provide reasonable long-term returns. It invests in the same fixed interest securities that the Consensus Fund invests in. The assets of the fund are mainly invested in government bonds issued in euro with smaller investments in other fixed interest securities both inside and outside the Eurozone.

### ANNUITY FUND (VOLATILITY 4) ILIM

This fund invests in long-term Eurozone government bonds. The aim of the investment is to pay for an annuity when you retire. This fund is only available as part of the Default Investment Strategy (Annuity).

## 5.4 MULTI-ASSET FUNDS

Multi-Asset funds contain a mix of different asset classes, typically equities, bonds and potentially other assets such as property, commodities and alternative assets. These funds are usually actively managed by the fund manager with the aim of improving performance through asset and / or stock selection.

**CONSENSUS FUND (VOLATILITY 5) ILIM** This fund is one of Ireland's most popular funds, currently managing over €5 billion. Its success is based on an approach which combines the wisdom of the main investment managers in Ireland. The fund matches the investments they make in shares, property, bonds and cash. The Consensus Fund aims to provide performance that is consistently in line with the average of all pension managed funds in the market.

**WARNING: Certain funds may be affected by changes in currency exchange rates.**

### PROTECTED CONSENSUS MARKETS FUND (VOLATILITY 3) ILIM

The Protected Consensus Markets Fund gives you the opportunity for higher potential returns that comes with investing in global markets while protecting a large part of your investment. The aim of the fund is to provide growth when markets are performing well and deliver some protection when markets are falling. The Protected Consensus Markets Fund invests in two funds, the Consensus Markets Fund and the Protected Fund. The amount invested in each depends on market conditions at the time and is based on a formula. The Consensus Markets Fund follows a similar investment strategy to Irish Life's Consensus Fund, which combines the wisdom of the main investment managers in Ireland. The Consensus Markets Fund follows the same asset allocation (the mix of assets in the fund) as the Consensus Fund but without any property. The current mix is shares, bonds and cash. The Protected Fund is made up of high quality short-term government bonds and cash deposits in leading European banks. The Protected Consensus Markets Fund has some security features which helps reduce the levels of ups and downs on your investment. The fund aims to give you increased access to the Consensus Markets Fund when markets are rising but switches into the Protected Fund when markets are falling. There is a protected price pledge to provide some protection. The aim of this pledge is that the unit price of the Protected Consensus Markets Fund will not fall below 80% of its highest value. This protected price pledge is designed to apply for an extended period up to 11 September 2020.

**WARNING: The value of your investment may go down as well as up.**

**WARNING: If you invest in this product you may lose some or all of the money you invest.**

This protection is provided by Deutsche Bank AG. Certain circumstances may cause this protection to be reduced or removed. Irish Life's commitment to you is to pass on the full amout it receives from Deutsche Bank for your investment. This means Irish Life will only pay you the amount it actually receives from Deutsche Bank. Irish Life will not use any of its assets to make up any shortfall. Deutsche Bank only has a commitment to Irish Life under their contract with them. You do not have a contract with Deutsche Bank. As such you cannot make a claim directly against Deutsche Bank under the protected price pledge. It is important to read Irish Life's 'Guide to the Protected Consensus Markets Fund' before investing in this fund. It also outlines Irish Life's contract with Deutsche Bank AG. This guide is available from your financial adviser.

### CONSENSUS CAUTIOUS FUND (VOLATILITY 3) ILIM

The Consensus Cautious Fund is a managed fund, where 65% of the assets are currently invested in the Consensus Fund and 35% track the performance of short term Eurozone government bonds. The Consensus Cautious Fund aims to give mid range levels of return with lower levels of ups and downs.

### SETANTA INCOME OPPORTUNITIES FUND (VOLATILITY 4) SETANTA

The Setanta Income Opportunities Fund is a multi-asset fund that aims to deliver returns from income and capital, with the aim of doing better than inflation. The main asset class in the fund is expected to be stocks which display good value and generate a high dividend yield. The fund can invest in income-bearing asset classes such as bonds, property, cash and financial instruments, in particular covered options. Covered options are a derivative strategy employed by Setanta to raise extra income for the fund.

**WARNING: Certain funds may be affected by changes in currency exchange rates.**

**WARNING: The value of your investment may go down as well as up.**

## 5.5 INDEXED EQUITY FUNDS

Investment in equity funds aims to achieve higher returns than other asset classes such as cash and bonds. However, the risks associated with these funds are correspondingly higher and the value of equity funds can vary considerably and may fall as well as rise. Indexed Equity Funds aim to track the performance of a particular equity index, usually that of a particular stock market or industry sector. By choosing to invest in an indexed fund you eliminate the risk of a particular active investment manager underperforming the market. However you may also miss out on the additional return a skilled manager may generate.

All of the indexed equity funds listed in this section are managed by Irish Life Investment Managers (ILIM).

### INDEXED IRISH EQUITY FUND (VOLATILITY 7) ILIM

This fund concentrates on Irish equities. The fund's aim is to match the average return of all the shares that make up the ISEQ Index.

### INDEXED NORTH AMERICAN EQUITY FUND (VOLATILITY 6) ILIM

This fund concentrates on North American equities. The fund's aim is to match the average return of all the shares that make up the FTSE North America Index.

### INDEXED JAPANESE EQUITY FUND (VOLATILITY 6) ILIM

This fund concentrates on Japanese equities. The fund's aim is to match the average return of all the shares that make up the FTSE Japan Index.

### INDEXED PACIFIC EQUITY FUND (VOLATILITY 7) ILIM

This fund concentrates on Pacific equities, which includes countries such as Singapore, South Korea and Australia. The fund's aim is

**WARNING: If you invest in this product you may lose some or all of the money you invest.**

to match the average return of all the shares that make up the FTSE Pacific Ex Japan Index.

### INDEXED TECHNOLOGY FUND (VOLATILITY 6) ILIM

This fund is a specialist fund that concentrates on companies in the software, telecommunication, internet and other technology sectors. This fund aims to match the average returns of all the shares that make up the Nasdaq 100 Index.

### INDEXED UK EQUITY FUND (VOLATILITY 6) ILIM

This fund concentrates on UK equities. The fund's aim is to match the average return of all the shares that make up the FTSE UK Index.

### INDEXED WORLD EQUITIES FUND (VOLATILITY 6) ILIM

ILIM has designed this fund to achieve returns in line with world equities. The fund tracks the FTSE World Index and benefits from ILIM's ability to track equity indices in an efficient and cost-effective way. The fund is suitable for someone looking for global diversification when it comes to investing in shares.

### INFRASTRUCTURE EQUITIES FUND (VOLATILITY 6) ILIM

The Infrastructure Equities Fund invests in an exchange traded fund (ETF) that buys the shares of infrastructure companies worldwide. The infrastructure sector includes utilities, transport and energy. The companies aim to benefit from investment in a sector that underpins economic growth. Please see Section 8.12 for more information on some of the risks associated with this fund.

### GLOBAL MULTI-FACTOR FUND (VOLATILITY 6) ILIM

The investment manager, ILIM, has developed their multi factor equity strategy to deliver stable outperformance relative to the benchmark by identifying and investing in companies that display superior fundamentals at an attractive price. This fund invests in Global equities using a quantitative multifactor stock selection process to deliver a systematic and robust investment process based on stock selection criteria which is driven by a combination of broad and diversified mix of factors shown to produce more stable outperformance relative to the benchmark. The Portfolio construction process introduces strong risk controls to maximise diversification and manage risk.

**WARNING: If you invest in this product you may lose some or all of the money you invest.**

### HEDGED WORLD EQUITY FUND (VOLATILITY 6) ILIM

This fund invests in world equities. The equities are chosen to match the FTSE World Equity Index with the non-euro currency exposure hedged back to euro. Please see Section 8.4 for more information on some of the risks associated with this fund.

### INDEXED EMERGING MARKETS EQUITY FUND (VOLATILITY 7) ILIM

ILIM has designed this fund to perform in line with emerging market share returns. The fund aims to do this efficiently and in a cost-effective way by tracking the performance of the MSCI World Emerging Markets Index. The fund invests in share markets in some of the fastest-growing countries in the world, including China, Brazil, India and South Korea. The emerging market economies are becoming increasingly important parts of the world economy.

### INDEXED EUROPEAN EQUITY FUND (VOLATILITY 6) ILIM

This fund concentrates on European equities. The fund's aim is to match the average return of all the shares that make up the FTSE Europe Ex UK Index.

## 5.6 ACTIVE EQUITY FUNDS

Investment in equity funds aims to achieve higher returns than other asset classes such as cash and bonds. However, the risks associated with these funds are correspondingly

**WARNING: Certain funds may be affected by changes in currency exchange rates.**

**WARNING: The value of your investment may go down as well as up.**

higher and the value of equity funds can vary considerably and may fall as well as rise. Active equity funds aim to outperform their peer group through the skill of the investment manager in selecting particular stocks. However as the manager picks individual stocks hoping to outperform, you may experience returns lower than the average if this approach is not successful.

### SETANTA EQUITY DIVIDEND FUND (VOLATILITY 6) SETANTA

The Setanta Equity Dividend Fund is an actively managed portfolio of stocks from around the world which display good value and pay high dividends. The fund usually holds stocks which are expected to be held for about three to five years. While the fund does not target specific weightings in any region or sector, the managers aim to diversify across a broad range of regions and sectors.

### SETANTA GLOBAL EQUITY FUND (VOLATILITY 6) SETANTA

The Setanta Global Equity Fund is an actively managed portfolio which holds stocks from around the world. The stocks are chosen after a detailed analysis by Setanta. Setanta choose these stocks as they believe they represent good value and have good business prospects over the long term.

## 5.7 PROPERTY FUNDS

Property funds invest either directly or indirectly in commercial property.

**IRISH PROPERTY FUND (VOLATILITY 6) ILIM** This fund invests predominantly in Irish properties including retail, office and industrial units. The fund will also invest in both Irish and overseas properties through property companies that are managed by external managers. There may be some investment outside the Eurozone. Part of this fund may borrow money to invest in property (see Section 8.9). In certain circumstances Irish Life may need to delay switches, withdrawals or transfers out of this fund and delays may be significant. Please see Sections 6.1 and 8.10 for more information on investing in property funds.

### INDEXED EUROPEAN PROPERTY SHARES FUND (VOLATILITY 6) ILIM

This fund invests in shares of European property companies and Real Estate Investment Trusts (REITs). REITs are an effective, low cost and easy way to invest in property. REITs generally contain borrowings of about 50% and so are more risky than investing in property that does not have any borrowing associated with it (see Section 8.9). The fund tracks the FTSE EPRA/ NAREIT Europe Ex UK Liquid 40 index which invests in listed property companies across mainland Europe. In certain circumstances Irish Life may need to delay switches, withdrawals or transfers out of this fund and delays may be significant. Please see Section 6.1 for more information.

**UK PROPERTY FUND (VOLATILITY 6) ILIM** The UK Property Fund allows you to invest in the UK property market. ILIM has over 30 years' experience of investing in UK property. This fund invests directly in UK property as well as indirectly through property partnerships (other fund managers). Currently about 75% of the fund is invested in retail, office and industrial properties in the UK. The other 25% is invested in a range of property partnerships which are funds managed by local UK property managers (see Section 6.4 for important information on external managers). The property partnerships often give the UK Property Fund access to properties that it would be difficult to invest in directly. Parts of this fund will also borrow money to invest in property (see Section 8.9).

**WARNING: If you invest in this product you may lose some or all of the money you invest.**

**WARNING: Certain funds may be affected by changes in currency exchange rates.**

**WARNING: The value of your investment may go down as well as up.**

In certain circumstances Irish Life may need to delay switches, withdrawals or transfers out of this fund and delays may be significant. Please see Section 6.1 for more details

## 5.8 COMMODITIES FUNDS

Commodities funds seek to take advantage of trends in global commodities markets. Commodities are raw materials or basic agricultural plants that can be bought and sold on recognised markets.

Note: Commodities funds may not invest directly in the underlying commodities but may instead use derivatives to obtain exposure to changes in their prices.

### INDEXED COMMODITIES FUND (VOLATILITY 6) ILIM

The Indexed Commodities Fund aims to track the performance of the overall commodities markets (oil, gas and so on). It currently tracks the Goldman Sachs Light Energy Index. In the past, commodities have given similar levels of returns to shares over the long-term. However, they tend to behave differently to all other assets. For example, previously, commodities have often given good returns at times when stock markets or property markets have not. For this reason commodities are often good to invest in if you have already invested in shares and bonds. This may help reduce the overall risk over the long term.

This fund does not invest in physical commodities but invests in financial instruments that are linked to the price of these. The counterparty to these financial instruments is currently Goldman Sachs International but this could change in the future. Counterparty risk is the risk that Goldman Sachs International cannot pay what they owe. This could mean that you receive less than the amount invested in the fund.

Please refer to Sections 8.3 and 8.5 for more information on some of the risks associated with this fund.

## 5.9 SELF-INVESTED DEPOSIT FUND (VOLATILITY 7)

This fund gives you control over which deposit accounts (from a panel of approved financial institutions) you invest your pension fund in. We will continue to take care of dealing with your plan for you but you can decide which deposit accounts you want to invest in using your Self-Invested Deposit Fund. You cannot invest in any other type of asset in this fund.

If you choose this fund, we will add a unique Self-Invested Deposit Fund to your plan. We may occasionally change the financial institutions on the approved panel. There are some investment rules and charges you will need to know about before setting up a Self Invested Deposit Fund.

If you are interested in this fund, you should read our "Your Guide to the Self-Invested Deposit Fund" carefully as it contains important information about the fund.

**WARNING: Certain funds may be affected by changes in currency exchange rates.**

**WARNING: The value of your investment may go down as well as up.**

**WARNING: If you invest in this product you may lose some or all of the money you invest.**

## 6. GENERAL FUND INFORMATION

This section gives you important information about investing in the funds.

### 6.1 DELAY PERIODS

In certain circumstances Irish Life may need to delay switches, withdrawals or transfers out of a fund. The circumstances in which Irish Life may delay a switch, withdrawal or transfer can include the following:

- If a large number of clients want to deduct money out of the same fund at the same time;

- If there are practical problems selling the assets in which a fund is invested the fund manager may impose a delay.

Delayed transactions will be based on the value of the units at the end of the delay period.

Irish Life will delay switches, withdrawals and transfers from the Self-Invested Fund until the assets in the fund have been turned into cash. Depending on the nature of the assets, any delay may be significant.

### 6.2 REDUCING THE VALUE OF THE FUND

When there are more clients moving out of a fund than making new investments in it, Irish Life may reduce the value of the units in the fund. This is to reflect the percentage of the costs associated with buying and selling the assets of the fund. The reduction in the value of the affected assets will be different for each fund. It is likely to be significant for the percentage of any fund invested in property (see section 8.10 Property Risk).

### 6.3 COUNTERPARTY RISK

It is important to note that the value of investments with any fund manager may be affected if any of the institutions with whom money is placed suffers insolvency or any other financial difficulties. The value of your units will reflect the value of the assets recovered from that manager. Irish Life will not use any of its assets to make up any shortfall.

### 6.4 EXTERNAL MANAGERS

While your plan is provided by Irish Life, some of the funds are managed by companies (external managers) other than Irish Life Investment Managers (ILIM) and Setanta. There will be charges deducted from these funds by both Irish Life and these external fund managers.

If you invest in funds managed by an external fund manager, it is likely that the way your investment performs in those funds using your plan will be slightly different from the performance of the external manager funds themselves. This could be due to factors such as the time needed to move your investment into their funds, the charges deducted from your plan and any changes in the values of currencies.

Our commitment to you is to pass on the full value of the fund we receive from the external manager for your investment. We are not liable for any pricing inaccuracies related to the external providers or any losses caused by the acts and omissions of an external provider. Our commitment is restricted to the returns we actually receive from the external manager.

Where funds are managed by external fund managers, the investments may be legally held in countries other than Ireland. You should be aware that where a fund is domiciled will impact on how it is regulated.

### 6.5 TAX

This section is a summary of the tax treatment that is likely to apply to the funds available on your plan.

Some funds invest totally or partly in property or other assets outside of Ireland and the fund may have to pay tax on these investments. For any investments in overseas assets, tax will be deducted on income or profits if this is outlined under the domestic tax rules of the relevant country. In some instances, withholding or other underlying taxes may apply, depending on the tax rules of that country. Irish Life will deduct any tax due from the fund and this is reflected in the fund performance.

If tax legislation and practice change during the term, Irish Life will amend this in the fund value as a result. This information is based on current tax law which could change in the future.

### UK PROPERTY

Basic-rate tax must be paid on any UK rental profit from property Irish Life do not hold directly (in other words, profit from UK property companies) according to current United Kingdom tax law. Irish Life will take tax for UK property from the fund. Irish Life do not pay tax on property held directly. This applies to PRSA products.

### 6.6 GENERAL INFORMATION

If you have chosen to invest in a fund that invests in shares or bonds, the assets in that fund may be used for the purpose of securities lending in order to earn an additional return for the fund. While securities lending increases the level of risk within a fund it provides an opportunity to increase the investment return. The fund manager may keep some or all of the returns from securities lending for themselves.
At any stage Irish Life can change the range of fund options that are available. Irish Life may decide to stop giving you access to certain funds entirely. In this case you can switch out of these funds into any other funds that are open at the time. Irish Life can also restrict the option to switch into, or invest additional contributions in any funds.

Irish Life may also change the manager who manages a particular fund in the future. In various fund descriptions in section 5, the asset split that currently applies is explained. The fund manager can change this asset split or choose to invest in other assets at any stage in the future. You can contact your financial adviser for up-to-date information on your funds at any time.
When investing your contributions Irish Life's current policy is to use unit prices effective on the same working day they receive your contribution. Irish Life may change this policy in the future to use unit prices on a different date. You can contact your financial adviser for details of the current policy.

## 7. FUND CHARGES INFORMATION

### 7.1 FUND MANAGEMENT CHARGES

Irish Life will deduct a monthly charge from the value of each fund. Where a fund is invested with an external fund manager (other than Irish Life Investment Managers or Setanta) they will also deduct a charge. The total charge deducted for each fund is shown in the "Your Charges Explained" leaflet enclosed with this booklet.

### 7.2 VARIABLE FUND CHARGES

Irish Life will only increase the charges when there is an increase in the costs of dealing with the investment and will give you notice of the increase.

If a manager increases their base fund management charge Irish Life will inform you of this. The charges on some funds are variable. Where the charges on a fund can vary, Irish Life have shown, the maximum level of the variable charge. For more information please see the "Your Charges Explained" leaflet enclosed with this booklet.

The fund managers deduct their costs and charges from the assets they manage. These charges are reflected in how the fund performs. The level of the charges, as a percentage of the overall fund, can vary for several reasons including:

- Where a fund invests in other funds, the overall fund charge will vary according to the proportion of the fund invested in each of the underlying funds and the specific charges for these funds. The underlying funds may also change in the future and different charges for the new funds may lead to the overall fund charge changing.

- A fund manager may charge an incentive fee if they achieve certain investment returns on the funds they manage.

- The costs associated with managing a fund may vary and change over time. These costs include, for example, licence fees where funds track a particular index, legal, accounting and marketing costs.

- A fund may borrow to increase the amount of assets that the funds can invest in. Borrowing increases the chance of achieving improved returns if the assets perform well. However, it also increases the level of risk of the investment.

The charges in relation to investments are based on the total value of the assets held including any borrowings made rather than on the funds they manage. The level of these charges as a percentage of the funds managed will depend on the amount of borrowing relative to the value of the assets held. If the level of borrowing increases by more than the value of assets, the level of charges as a percentage of funds managed would increase. For example, a significant fall in asset values could result in a significant increase in the average level of this charge as a percentage of funds managed. This is because a fall in asset values means that the amounts borrowed would represent a higher percentage of the fund value.

Equally, if the level of borrowing reduces by more than the value of assets, then the level of charges as a percentage of funds managed would also reduce. For example, a significant rise in asset values could result in a significant reduction in the average level of this charge as a percentage of the funds managed. This is because a rise in asset values means that the amounts borrowed would represent a lower percentage of the fund value.

Some funds can employ active asset allocation strategies to vary the proportion of the fund invested in different asset classes or underlying funds. Changes in the underlying asset mix or the cost of implementing the active asset allocation strategy may cause the overall fund charge to vary as a result. Please refer to your fund factsheet for details of the current charges applying to these funds.

### 7.3 INCENTIVE FEES

An incentive fee may be deducted by some fund managers if they achieve certain investment returns on the funds they manage. The funds which may be subject to incentive fees are indicated in the fund descriptions in section 5.

Depending on the particular fund, circumstances in which an incentive fee may be deducted by the manager include the following:

- If the investment return is positive in any calendar quarter.
- If the investment returns exceed a certain level each year.
- If the investment returns achieved in a particular year are greater than the previous highest investment return.
- If the returns achieved by these funds exceed the performance of a benchmark fund.

Where an incentive fee is deducted this will be reflected in the unit price of the fund.

Please contact your financial adviser for details of the exact nature of the incentive fee applying to a particular fund.

## 8. INVESTMENT RISK FACTORS

Some funds are exposed to specific risks related to the type of assets they invest in or the investment strategies they pursue. To help you understand the risks that apply to each fund the most common risks are described. You should discuss what risks may apply to your chosen funds with your financial adviser.

### 8.1 CASH DEFAULT RISK

While funds that invest in cash deposits and money market instruments are intended to be low risk investments they can still fall in value. This could happen if, for example, a bank the fund has a deposit with cannot repay that deposit.

### 8.2 CONCENTRATED PORTFOLIO RISK

The more assets a fund holds, the less it is exposed to the performance of a single asset. Risk is spread among the different assets. If a fund is concentrated in a small number of assets its diversification is reduced, increasing the risk of the fund.

### 8.3 COUNTERPARTY RISK

Counterparty risk refers to the situation where there is a dependency on the financial strength of the financial institution providing the returns on your investment. For example, the bank with which you place a deposit or the institution providing the returns on an ETF. If the counterparty cannot pay what they owe then you could receive less than the amount you invested or lower returns than you were promised. One way to assess the level of counterparty risk is by looking at the credit ratings of the institution. Credit ratings are an assessment of how creditworthy an organisation is and are based on their history of borrowing and repayment as well as their level of assets and debts.

### 8.4 CURRENCY RISK AND CURRENCY HEDGING

Funds that invest outside of the Eurozone carry a risk related to currency. This is because the funds are priced in euro but the assets in which the fund invests are valued in their local currency. This can increase or reduce your returns depending upon how those local currencies are performing compared with the euro.

For example, the 'Indexed UK Equity Fund' would aim to track the performance of the FTSE UK index of shares of UK companies. Since the shares are priced in pounds sterling, the value of the 'Indexed UK Equity Fund' will be affected both by how the shares of the companies perform and any movements in the euro and sterling exchange rate. If, for example, there has been no change in the value of the shares in sterling, but sterling falls in value against the euro, the 'Indexed UK Equity Fund' would fall in value. Obviously, in the same circumstances, a rise in the value of sterling would result in an increase in the value of the 'Indexed UK Equity Fund'.

Some funds which invest in assets outside of the Eurozone may try to manage the risk related to movements in exchange rates. This is known as currency hedging. The cost of trying to protect against currency movements through currency hedging will be charged to the fund on an ongoing basis. Changes in exchange rates during the investment term in funds which are not protected against currency movements may have a negative effect on the value of these funds and the expected investment returns.

Equally, some fund managers will not try to manage the risk related to movements in exchange rates and the value of your investment will be fully exposed to exchange rate movements.

### 8.5 DERIVATIVES RISK

Derivatives are financial instruments the value of which depends on the value of some other financial asset. Some funds may use derivatives for the purposes of efficient portfolio management, reducing risk or to meet their investment objectives.

Using derivatives involves different and potentially greater risks than investing directly in the underlying assets. In particular, derivatives may lead to greater price fluctuations than investing in the underlying assets directly.

The use of derivatives can also lead to counterparty and leverage risk.

### 8.6 EMERGING MARKETS RISK

Funds that invest in emerging markets may be more volatile than funds that invest in more developed markets. Investment markets and companies in emerging markets may not be subject to as strict regulation as those that invest in more developed markets. The liquidity of these markets may also be low meaning there is a large difference between the price the fund can buy and sell an asset at.

### 8.7 FUND CHARGE RISK

The price of most funds can fall in value even if the value of the underlying assets does not change, i.e. your initial capital is not protected. This could occur if the fund management charge is greater than the growth rate of the assets in the fund.

## 8.8 HIGH YIELD BONDS RISK

High yield bonds are those that are not 'investment grade', that is their credit ratings are relatively low. The values of such bonds are likely to be more volatile than those of investment grade securities and have an increased risk of default.

## 8.9 GEARING RISK

Gearing refers to the use of borrowing with a fund. This is most likely to occur where a fund invests in property but may also apply to funds that invest in a wider range of assets.

The amount borrowed within a fund can vary and you should find out the current amount borrowed within the fund you are interested in. This will help you assess the level of risk, which increases as borrowing increases.

The main advantage of using borrowing is that it allows the fund manager to increase the amount of assets within the fund and thus increase the potential for growth. As a result, the amount of property in these funds can increase which, in turn, increases the possibility for growth.

You will have the chance to get higher returns if the value of the asset paid for by the loans is higher than the cost of repaying the loans.

However, borrowing in this way also increases the possible risks for the fund. It can mean greater losses if the asset falls in value.

The following example shows how the returns on a property fund can be impacted by the level of borrowing used within the fund.

| | |
|---|---|
| Amount of investment: | €25,000 |
| Amount invested in property: | €25,000 |
| Amount borrowed by funds: | €75,000 |
| Amount invested in property with borrowings: | €100,000 |

In this example:

- 25% of the investment is invested indirectly in property
- for every €1 invested indirectly in property, €3 is borrowed. Please note that the level of borrowing will vary from fund to fund.

When referring to funds with borrowing, the term 'loan-to-value ratio' is often used. This is the loan amount divided by the value of the property and in the above example is 75%. The loan to value ratio changes based on the value of the indirect properties at any given time so this percentage will vary regularly.

### What happens if property falls in value?

That part of the fund linked to indirect property investments will fall in value by a greater amount because of the level of borrowing. The following are examples:

- If the value of the indirect properties fall by 10% and the indirect fund borrowed €3 for every €1 invested, the actual fall in value of the indirect part of the investment would be 40%

- If the value of the indirect properties fall by 10% and the indirect fund borrowed €2 for every €1 invested, the actual fall in value of the indirect part of the investment would be 30%

- If the value of the indirect properties fall by 10% and the indirect fund borrowed €1 for every €1 invested, the actual fall in value of the indirect part of the investment would be 20%

## 8.10 PROPERTY RISK

Funds that invest in property or have a high proportion of their assets in property are subject to a number of specific risks.

*The property cycle – selling costs and delays*
The property market reacts more slowly than stock markets and tends to follow more of a

cycle. It can rise or fall for longer periods in a more consistent way than the stock market does. This is partly because it takes more time and costs more to buy and sell properties than it does to buy or sell other assets like shares. As a result, if there are more investors who want to cash in their investments than there are new investors, the following changes may need to be made so that all investors pay their fair share of the costs that the funds have to pay.

***Notice periods (delays)***

If you have chosen to invest in a property fund, Irish Life may delay switches, withdrawals or transfers out of that fund from the time your request is received. This is referred to as the 'notice period'.

Due to the high cost and time involved in selling properties, a delay of this sort is likely to happen at some point during your investment. The length of any delay will depend on how long it takes Irish Life to sell the assets in the fund. A significant delay would be likely to apply in this situation.

Delayed transactions will be based on the value of the units at the end of the notice period. Once you have given Irish Life notice that you want to switch, withdraw or transfer out of a fund, you cannot change your mind during any notice period. You should check whether a notice period applies to the fund you have chosen.

***Reducing the value of the fund***

When there are more clients moving out of a fund than making new investments in it, Irish Life may reduce the value of the units in the fund to reflect the percentage of the costs associated with buying and selling the assets of the fund. The reduction is likely to be most significant for the percentage of any fund invested in property.

For those funds invested in property, the actual reduction will depend on the percentage of property in the fund and the actual costs involved in having to sell properties within that fund. If a reduction in value were to apply today, Irish Life estimate this rate could possibly be in the region of 10%, assuming that the fund has a high percentage invested in property. To arrive at this rate, Irish Life have estimated the selling costs that might apply. It is possible that the reduction in value could be higher or lower in the future and could take place in stages. Funds with a lower property asset mix will have a lower reduction rate.

The reduction for any part of a fund invested with external fund managers may happen at a different time to the reduction for the rest of the fund.

***Access to cash***

Funds that invest in property usually need to keep some cash to hand because it normally takes time to buy and sell properties. However, from time to time, the level of cash in the funds can rise if the fund manager cannot find the quality of commercial property investments that they are looking for. If this happens, the fund manager may hold the cash or increase the level of indirect property investments until they find the right properties for these funds.

## 8.11 SMALLER COMPANIES RISK

Funds that invest in smaller companies may be more volatile than those that invest in larger companies. The liquidity of smaller company's shares may also be low meaning there is a large difference between the price the fund can buy and sell an asset at.

## 8.12 EXCHANGE-TRADED-PRODUCTS (ETP) RISK

An Exchange-Traded-Fund (ETF) and Exchange-Traded-Commodity (ETC) are both types of ETP. These products may not offer direct exposure to the underlying securities or commodities, but may instead aim to track the performance of an appropriate index or benchmark. They may also use derivatives to gain exposure to changes in the underlying prices of the securities or commodities concerned, or to track a particular index.

Where an ETP does not directly hold the underlying securities or commodities, the effect of daily differences between the ETP price and the actual price of the underlying securities or commodities can lead to significant differences in returns over long holding periods. This performance gap is a result of the (generally) higher costs in using financial instruments to gain exposure to the performance of the underlying securities, commodities or index. Generally, this means that the ETP will have a different return to, and may underperform, the performance of the underlying securities, commodities or index over time.

Other factors that can impact on the price performance of an ETP and could cause it to underperform the actual price of the underlying securities, commodities or index it intends to track include:

- the credit rating of the underlying counterparties
- change in counterparties
- the size of the fund

The counterparties to financial instruments involved with ETPs can change in the future and this can impact the price performance of the ETP. Counterparty risk is the risk that the counterparty to the ETP cannot meet its obligations (see Section 8.3).

If the credit rating of the counterparties involved with an ETP were to change, or if different counterparties were used, this could also impact on the price performance of the fund.

Also, if the size of the ETP were to fall significantly in terms of money under management, then it would be more difficult to buy and sell units in the fund which might impact on the price performance of the ETP.

**Notes:**

The below refers to references to FTSE benchmarks throughout this document.

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